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Incentives Muddy Plot in Film Fight

In the weeks ahead, Walt Disney Pictures will begin filming "Daddy's Girl," a \$50 million family comedy, in Massachusetts.

Illinois could have had that starring role.

Actually, Illinois had the starring role as the film's location, until the Massachusetts legislature late last year approved a package of incentives significantly richer than those in Illinois, which was an early bird in the incentives game.

In doing so, Massachusetts became the latest entrant in the rapidly escalating bidding war among states and countries for film and television production, a notoriously nomadic business that sweeps into locations, bringing jobs, spending money and the promise of big-time publicity for the chosen locale.

"Losing that Disney business was a further wake-up call," Brenda Sexton, director of the Illinois Film Office, said Wednesday, shortly after Gov. Rod Blagojevich proposed beefing up Illinois' incentive program during his budget address. Local spending on "Daddy's Girl" could have been in the neighborhood of \$10 million to \$12 million, she estimated.

Blagojevich proposed a 20 percent income tax credit on total production spending in the state, rather than on wages only, effectively doubling the potential benefit to the film industry. If approved by the General Assembly, the change would take effect May 1 and run for three years.

Since 2004, the state has offered an income tax credit equal to 25 percent of the first \$25,000 in wages paid to Illinois residents, a measure that helped filmmakers trim as much as 10 percent from their in-state costs.

The measure helped the state pull out of a slump that began in 2000 as U.S. film producers started flocking to Canada, drawn by incentive packages and a favorable exchange rate.

Film-production spending hit an estimated \$94 million in the state last year, less than the \$125 million in the peak year of 1999 but more than triple the \$26 million in 2003.

When it enacted the incentives in 2004, Illinois was one of a handful of states with such packages. Now, at least 20 states have packages, and three of them, including New York,

are considering sweetening the pot. Another 11, including Wisconsin and Michigan, are considering getting into the game.

Given the heightened competition, 2006 was looking bleak for Illinois, according to the Illinois Production Alliance, which represents film and television workers and businesses.

"The bottom line is, the governor has given us a great, big life raft," said Eileen Willenborg, president of the alliance.

"What the governor has proposed is definitely among the most aggressive proposed this year," said Vans Stevenson, senior vice president for state government affairs for the Motion Picture Association, which represents the major studios.

And Chicago has advantages that should tip the balance in its favor when the city is up against locations with similar incentive packages, Stevenson said.

"It has excellent crew base, theatrical stage employees, members of the Screen Actors Guild, the Directors Guild [of America] and suppliers," he said.

"And Chicago ... is a great looking location. It can be itself and look like other urban environments as well."

Of course, in any bidding war, whether for conventions, sports franchises or Olympic Games, there is the risk of giving away the store.

"There's never really much talk in dollar terms of how much this is costing us," said Allen Sanderson, an economist at the University of Chicago. Costs can range from tangibles, such as unrealized tax dollars, to intangibles, such as potential congestion or inconvenience.

"It gets to the point in this sort of arms race or rat race ... where you can end up worse off if you're the guy nabbing the convention or the particular film," he said. "I'm just for cold-hearted analysis."

State officials acknowledge that the tax savings realized by film producers are tax dollars the state will never see.

But without the incentives, the state wouldn't see the film business at all, said Jack Lavin, director of the Illinois Department of Commerce and Economic Opportunity, which includes the Illinois Film Office.

The economic benefit to the state is 2.8 times greater than the sum spent directly on film production, Lavin said.

"All the ancillary things that come with having film production here--the limo drivers, restaurants, hotels--they all generate economic activity," he said. "And you also have a significant effect on tourism."

The Illinois Production Alliance would like to see state assistance go even further, giving tax breaks to investors in film projects and to companies that invest in movie equipment.

The state "wants us to be a location," said Willenborg, "but we want more. We want to be a production center ... the New York of the Midwest or the Hollywood of the Midwest."

Her group also would like to see Chicago emulate New York in giving breaks to the film industry, from free police service to waivers of permit fees.

Rich Moskal, director of the Chicago Film Office, said the city has tried to help all it can, without dipping into taxpayers' pockets. But now it is weighing a more aggressive approach.

"Given the rising competition throughout the country and overseas, we're currently investigating new and stepped-up ways in which we can better compete," he said. "And that includes looking at certain city services, taxes and fees."